

MANCELONA PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
JUNE 30, 2008

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MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2008

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August 13, 2008

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Mancelona Public Schools
Mancelona, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mancelona Public Schools, Mancelona, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Districts' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mancelona Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mancelona Public Schools, Mancelona, Michigan, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2008, on our consideration of Mancelona Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through xi and 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mancelona Public Schools, Mancelona, Michigan basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP,

Baird, Cotter & Bishop, P.C.

**Mancelona Public Schools
Mancelona, Michigan
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008**

Mancelona Public Schools, a K-12 school district serving residents in Antrim and Kalkaska Counties, Michigan, has a caring and committed staff that strives to meet the highest educational standards. The district prides itself on an outstanding Early Childhood Program which includes an on-site daycare center, an early childhood program geared toward children with special needs, and a Readiness 4 Preschool Program. Encouraging family and community involvement through organizations and tools such as Mancelona Communities in Schools, Get Involved (parent group), Mancelona Educational Foundation and Powerschool is also important to the district's achievement. In addition, the district is fortunate to have the Resource Center and Ironmen Health center which are both vital to the district's success. Our district is a recipient of the 21st Century Community Learning Centers grant titled "Choose Success" worth \$1.2 million over five years that will provide many enrichment opportunities beyond the normal school day. Twelve percent of the district's 1,111 student population are "Schools of Choice" coming from Alba, Bellaire, East Jordan, Elk Rapids, Forest Area, Traverse City Area Public Schools, and Kalkaska. Mancelona Public Schools is proud of their athletic, band, choir, woodshop, drafting, home economics and art programs.

Mancelona Public Schools has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Mancelona Public Schools administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

A. Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

**Mancelona Public Schools
Mancelona, Michigan
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008**

B. Government-Wide Financial Statements

These statements are calculated using full accrual accounting and more closely resemble those presented by business and industry. The District's entire assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

C. Summary of Net Assets

The following schedule summarizes the net assets at fiscal year ended June 30,

	2008	2007
Assets		
Current Assets	\$ 3,064,364	\$ 3,014,503
Non Current Assets		
Capital Assets	19,068,255	19,187,268
Less Accumulated Depreciation	(7,038,397)	(6,832,731)
Total Non Current Assets	12,029,858	12,354,537
Total Assets	<u>\$ 15,094,222</u>	<u>\$ 15,369,040</u>
Liabilities		
Current Liabilities	\$ 2,559,789	\$ 2,270,795
Non Current Liabilities	10,496,395	11,422,502
Total Liabilities	<u>13,056,184</u>	<u>13,693,297</u>
Net Assets		
Invested in Capital Assets Net of Related Debt	860,152	367,455
Restricted	505,344	771,288
Unrestricted	<u>672,542</u>	<u>537,000</u>
Total Net Assets	<u>2,038,038</u>	<u>1,675,743</u>
Total Liabilities and Net Assets	<u>\$ 15,094,222</u>	<u>\$ 15,369,040</u>

**Mancelona Public Schools
Mancelona, Michigan
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008**

D. Analysis of Financial Position

During the fiscal year ended June 30, 2008, the District's net assets increased by \$362,295. A few of the more significant factors affecting net assets during the year are discussed below:

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2008, \$392,395 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2008, \$68,008 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets, the write off of the assets disposed of during the year, and the current year's depreciation is a net decrease in capital assets in the amount of \$324,679 for the fiscal year ended June 30, 2008.

**Mancelona Public Schools
Mancelona, Michigan
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008**

E. Results of Operations

For the years ended June 30, the results of operations, on a District-wide basis, were:

	2008		2007	
	Amount	% of Total	Amount	% of Total
General Revenues				
Property Taxes	\$ 4,431,950	37.64%	\$ 5,017,137	40.43%
Investment Earnings	106,421	0.90%	107,735	0.87%
State Sources	4,433,404	37.64%	4,692,671	37.82%
Other	219,021	1.86%	197,120	1.59%
Total General Revenues	9,190,796	78.04%	10,014,663	80.71%
Program Revenues				
Charges for Services	383,237	3.25%	401,468	3.24%
Operating Grants	2,203,720	18.71%	1,991,367	16.05%
Total Program Revenues	2,586,957	21.96%	2,392,835	19.29%
 Total Revenues	 \$ 11,777,753	 100.00%	 \$ 12,407,498	 100.00%
	2008		2007	
	Amount	% of Total	Amount	% of Total
Expenses				
Instruction	\$ 5,856,757	51.30%	\$ 5,864,468	51.76%
Supporting Services	3,859,444	33.81%	3,848,732	33.96%
Food Service Activities	588,638	5.16%	463,889	4.09%
Athletic Activities	200,561	1.76%	219,902	1.94%
Custody and Care of Children	235,557	2.06%	246,396	2.17%
Community Services	3,328	0.03%	1,879	0.02%
Facilities Acquisition	0	0.00%	3,775	0.03%
Prior Period Adjustment	33,870	0.30%	49,137	0.43%
Interest on Long-Term Debt	579,272	5.07%	586,733	5.18%
Other Transactions	33,890	0.30%	16,959	0.15%
Unallocated Depreciation	24,141	0.21%	30,895	0.27%
Total Expenses	11,415,458	100.00%	11,332,765	100.00%
Change in Net Assets	\$ 362,295		\$ 1,074,733	

**Mancelona Public Schools
Mancelona, Michigan
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008**

F. Analysis of Significant Revenues and Expenses

Significant revenues and expenses are discussed in the segments below:

1. Property Taxes

The District levies 18 mills of property taxes for operations on non-homestead properties. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2007-2008 fiscal year, the District levied \$3,293,146 in non-homestead property taxes. This represented an increase of 4.79% from the prior year. The amount of unpaid property taxes at June 30, 2008, was \$79,465.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

Fiscal Year	Non-Homestead Tax Levy	% Increase (Decrease) from Prior Year
2007-2008	\$ 3,293,146	4.79%
2006-2007	3,142,663	6.30%
2005-2006	2,956,398	5.02%
2004-2005	2,815,021	6.20%
2003-2004	2,650,861	4.63%

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on pupil membership counts taken in February and September of 2005, 2006 and 2007. For the 2006-2007 fiscal year, the District received \$7,085 per student FTE. For the 2007-2008 fiscal year, the district per pupil funding equated to \$7,204.

**Mancelona Public Schools
Mancelona, Michigan
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008**

3. Student Enrollment

The following schedule summarizes the blended student enrollment for the past five fiscal years:

Fiscal Year	Blended Student FTE	FTE Change from Prior Year
2007-2008	1,111	(32)
2006-2007	1,143	(5)
2005-2006	1,148	(50)
2004-2005	1,198	(10)
2003-2004	1,208	88

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2008, federal, state, and other grants amounted to \$2,203,720. This represents an increase of total grant sources of \$212,353 from the total grant sources received for the 2006-2007 fiscal year.

5. Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances is shown below:

Expenditures by Fund Type	2007-2008 Fiscal Year	2006-2007 Fiscal Year	Increase (Decrease)
General Fund	\$ 9,509,125	\$ 9,324,771	\$ 184,354
Food Service Fund	585,662	460,913	124,749
Athletic Activities Fund	196,222	228,260	(32,038)
Latch Key Fund	235,557	252,496	(16,939)
Debt Service Funds	1,306,555	1,238,929	67,626
Capital Projects Funds	128,391	212,088	(83,697)
 Total Expenditures	 \$ 11,961,512	 \$ 11,717,457	 \$ 244,055

**Mancelona Public Schools
Mancelona, Michigan
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008**

Expenditures by Function	2007-2008 Fiscal Year	2006-2007 Fiscal Year	Increase (Decrease)
Instruction	\$ 5,926,477	\$ 5,807,751	\$ 118,726
Supporting Services	3,570,077	3,485,086	84,991
Food Service Activities	585,662	460,913	124,749
Athletic Activities	196,222	228,260	(32,038)
Custody & Care of Children	235,557	252,496	(16,939)
Community Services	3,328	1,849	1,479
Facilities Acquisition	0	89,272	(89,272)
Prior Period Adjustments	33,870	49,137	(15,267)
Debt Service	1,376,429	1,325,704	50,725
Other Transactions	33,890	16,989	16,901
Total Expenditures	<u>\$ 11,961,512</u>	<u>\$ 11,717,457</u>	<u>\$ 244,055</u>

G. General Fund Budgetary Highlights

The Uniform Budgeting and Accounting Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2007-2008 fiscal year, the District amended the General Fund budget twice, with the Board adopting the changes in February and June 2008. The following schedule shows a comparison of the original General Fund budget, the final amended General Fund budget, and actual totals from operations:

**Mancelona Public Schools
Mancelona, Michigan
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
Total Revenues	<u>\$ 9,193,292</u>	<u>\$ 9,791,569</u>	<u>\$ 9,779,605</u>	<u>\$ (11,964)</u>
Expenditures				
Instruction	\$ 5,670,163	\$ 5,969,509	\$ 5,926,477	\$ (43,032)
Supporting Services	3,424,172	3,527,299	3,442,974	(84,325)
Community Services	2,000	3,720	3,328	(392)
Prior Period Adjustments	0	33,864	33,870	6
Debt Service	0	85,844	85,867	23
Other Transactions	<u>0</u>	<u>16,623</u>	<u>16,609</u>	<u>(14)</u>
Total Expenditures	<u>\$ 9,096,335</u>	<u>\$ 9,636,859</u>	<u>\$ 9,509,125</u>	<u>\$ (127,734)</u>

The original revenue and other financing sources budget of \$9,193,292 was increased to \$9,779,605 as a result of the following: inclusion of grant carryover monies, increase of At Risk and Michigan School Readiness grant allocations, 21st Century Community Learning Centers (Choose Success) grant award, and additional funding from Traverse Bay Area Intermediate School District.

Final budgeted expenditures increased as did revenues due to including the grant carryovers and additional grant allocations. Other reasons for an increase in expenditures are primarily due to an increase in the costs for repairs and supplies due to the many factors affecting our economy.

H. Capital Asset and Debt Administration

1. Capital Assets

By the end of the 2007-2008 fiscal year, the District had invested \$12,029,858 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net decrease of approximately \$324,679 from the prior fiscal year. Depreciation expense for the year amounted to \$392,395 bringing the accumulation to \$7,038,397 as of June 30, 2008.

**Mancelona Public Schools
Mancelona, Michigan
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008**

2. Long-Term Debt

At June 30, 2008, the District had \$12,132,564 in long-term debt outstanding. This represents a decrease of \$993,658 over the amount outstanding at the close of the prior fiscal year. New debt incurred during the year was \$48,966 of early retirement incentives and compensated absences. \$1,042,624 of debt was retired during the year.

I. Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- We continue to be very concerned about the State of Michigan's revenue outlook. The current economic climate in Michigan creates a great deal of uncertainty for school funding this year and into the future for our district, as well as any other school district in the state.
- Because of economic conditions and unemployment rates, the State of Michigan as a whole, as well as Northwest Michigan, has experienced families moving out of our schools. As one could predict, Mancelona Public Schools has experienced difficulty in predicting enrollment due to this economic situation. With the closing of Dura and many other employers in Mancelona, we have budgeted for a decline in enrollment for the 2008/2009 school year. If this trend continues and since funding is based on enrollment, it will continue to pose a real challenge in maintaining financial stability while continuing current educational programming.
- Costs for supplies, gasoline, utilities and health insurance are also posing a challenge financially. We believe as a district that we have budgeted to meet these demands; however, the uncertainty for the future makes it increasingly difficult to determine.

J. Contacting the District's Financial Management

- This financial report is designed to provide District citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate accountability for the money it receives. Questions relating to this report, or for additional financial information, may be addressed to the Business Manager, Mancelona Public Schools, 112 St. John Street, Mancelona, MI 49659.

MANCELONA PUBLIC SCHOOLS

MANCELONA, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 1,145,451
Taxes Receivable	79,465
Accounts Receivable	13,271
Due from Other Governments	1,190,829
Inventories	28,384
Investments	606,964
Total Current Assets	<u>3,064,364</u>
<u>NONCURRENT ASSETS</u>	
Capital Assets	19,068,255
Less Accumulated Depreciation	<u>(7,038,397)</u>
Total Noncurrent Assets	<u>12,029,858</u>
TOTAL ASSETS	<u><u>\$ 15,094,222</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 134,944
Accrued Expenses	492,517
Accrued Interest Payable	69,418
Salaries Payable	738,116
Deferred Revenue	153,973
Current Portion of Noncurrent Liabilities	970,821
Total Current Liabilities	<u>2,559,789</u>
<u>NONCURRENT LIABILITIES</u>	
Bonds Payable	11,734,587
Less Deferred Loss on Early Extinguishment of Debt	(665,348)
Equipment Contracts Payable	100,467
Compensated Absences	153,010
Early Retirement Incentives	144,500
Less Current Portion of Noncurrent Liabilities	<u>(970,821)</u>
Total Noncurrent Liabilities	<u>10,496,395</u>
Total Liabilities	<u>13,056,184</u>
<u>NET ASSETS</u>	
Invested in Capital Assets Net of Related Debt	860,152
Restricted	505,344
Unrestricted	672,542
Total Net Assets	<u>2,038,038</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 15,094,222</u></u>

The accompanying notes are an integral part of these financial statements.

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL
		CHARGES FOR SERVICES	OPERATING GRANTS	ACTIVITIES
				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction				
Basic Programs	\$ 4,771,464	\$ 18,365	\$ 427,712	\$ (4,325,387)
Added Needs	1,085,293	0	763,382	(321,911)
Supporting Services				
Pupil	498,989	14,673	329,727	(154,589)
Instructional Staff	201,471	0	107,188	(94,283)
General Administration	260,778	0	1,600	(259,178)
School Administration	529,135	0	0	(529,135)
Business	253,527	0	0	(253,527)
Operation and Maintenance	1,270,559	0	14,673	(1,255,886)
Pupil Transportation Services	689,051	0	12,213	(676,838)
Central Services	155,234	0	11,500	(143,734)
Other Support Service	700	0	700	0
Food Service Activities	588,638	145,119	390,867	(52,652)
Athletic Activities	200,561	37,459	0	(163,102)
Custody and Care of Children	235,557	160,101	76,018	562
Community Services	3,328	0	3,328	0
Prior Period Adjustment	33,870	0	64,812	30,942
Interest on Long Term Debt	579,272	0	0	(579,272)
Other Transactions	33,890	7,520	0	(26,370)
Unallocated Depreciation	24,141	0	0	(24,141)
Total Governmental Activities	<u>\$11,415,458</u>	<u>\$ 383,237</u>	<u>\$ 2,203,720</u>	(8,828,501)
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				3,325,806
Property Taxes - Debt Service				982,956
Property Taxes - Sinking Fund				123,188
Unrestricted Investment Earnings				106,421
State Sources				4,433,404
Other				219,021
Total General Revenues				<u>9,190,796</u>
Change in Net Assets				362,295
<u>NET ASSETS</u> - Beginning of Year				<u>1,675,743</u>
<u>NET ASSETS</u> - End of Year				<u>\$ 2,038,038</u>

The accompanying notes are an integral part of these financial statements.

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	GENERAL	2004 DEBT RETIREMENT	OTHER NONMAJOR GOVERNMENTAL	TOTAL GOVERNMENTAL
<u>ASSETS</u>	FUND	FUND	FUNDS	FUNDS
Cash	\$ 565,507	\$ 389,505	\$ 190,439	\$ 1,145,451
Taxes Receivable	62,019	11,196	6,250	79,465
Accounts Receivable	8,004	0	5,267	13,271
Due from Other Funds	4,500	0	1,153	5,653
Due from Other Governments	1,176,379	0	14,450	1,190,829
Inventory	16,835	0	11,549	28,384
Investments	606,964	0	0	606,964
 TOTAL ASSETS	 \$ 2,440,208	 \$ 400,701	 \$ 229,108	 \$ 3,070,017

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts Payable	\$ 96,778	\$ 0	\$ 38,166	\$ 134,944
Accrued Expenditures	492,269	0	248	492,517
Salaries Payable	734,875	0	3,241	738,116
Due to Other Funds	0	1,153	4,500	5,653
Deferred Revenue	215,992	11,196	6,250	233,438
 Total Liabilities	 1,539,914	 12,349	 52,405	 1,604,668

FUND BALANCES

Reserved for:

Inventory	16,835	0	11,549	28,384
Debt Service	0	388,352	94,743	483,095
Stadium Improvements	0	0	4,803	4,803

Designated for:

Forestry	14,982	0	0	14,982
Food Service	0	0	10,645	10,645
Athletics	0	0	584	584
Custody and Care of Children	0	0	24,749	24,749

Unreserved, Undesignated	868,477	0	29,630	898,107
 Total Fund Balances	 900,294	 388,352	 176,703	 1,465,349

TOTAL LIABILITIES

AND FUND BALANCES

\$ 2,440,208	\$ 400,701	\$ 229,108	\$ 3,070,017
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The accompanying notes are an integral part of these financial statements.

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS

JUNE 30, 2008

Total Governmental Fund Balances	\$ 1,465,349
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Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the funds

The cost of the capital assets is	\$ 19,068,255	
Accumulated depreciation is	<u>(7,038,397)</u>	12,029,858

Property taxes receivable in governmental activities are deferred unless they are collected within sixty days of year end.	79,465
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Long term liabilities are not due and payable in the current period and are not
reported in the funds

Loans Payable	(100,467)
Bonds Payable (Net of Deferred Charge)	(11,069,239)
Compensated Absences	(153,010)
Early Retirement Incentives	(144,500)

Accrued interest is not included as a liability in governmental funds, it is recorded when paid	<u>(69,418)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,038,038</u></u>
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The accompanying notes are an integral part of these financial statements.

MANCELONA PUBLIC SCHOOLS

MANCELONA, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	2004 DEBT GENERAL FUND	RETIREMENT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$ 3,500,623	\$ 1,027,218	\$ 542,425	\$ 5,070,266
Non-Educational Entity or Political				
Subdivision	6,874	0	0	6,874
State Sources	5,314,370	0	34,875	5,349,245
Federal Sources	652,963	0	356,006	1,008,969
Other Transactions	304,775	0	0	304,775
Total Revenues	9,779,605	1,027,218	933,306	11,740,129
<u>EXPENDITURES</u>				
Instruction				
Basic Programs	4,841,184	0	0	4,841,184
Added Needs	1,085,293	0	0	1,085,293
Supporting Services				
Pupil	498,989	0	0	498,989
Instructional Staff	201,471	0	0	201,471
General Administration	260,778	0	0	260,778
School Administration	529,135	0	0	529,135
Business	253,527	0	0	253,527
Operation and Maintenance	936,021	0	127,103	1,063,124
Pupil Transportation Services	607,119	0	0	607,119
Central Services	155,234	0	0	155,234
Other Support Services	700	0	0	700
Food Service Activities	0	0	585,662	585,662
Athletic Activities	0	0	196,222	196,222
Custody and Care of Children	0	0	235,557	235,557
Community Services	3,328	0	0	3,328
Prior Period Adjustments	33,870	0	0	33,870
Debt Service				
Principal	80,374	840,000	0	920,374
Interest	5,493	295,418	155,144	456,055
Other Transactions	16,609	8,104	9,177	33,890
Total Expenditures	9,509,125	1,143,522	1,308,865	11,961,512
Excess (Deficiency) of Revenues				
Over Expenditures	270,480	(116,304)	(375,559)	(221,383)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	0	0	158,000	158,000
Transfers Out	(158,000)	0	0	(158,000)
Total Other Financing Sources (Uses)	(158,000)	0	158,000	0
Net Change in Fund Balance	112,480	(116,304)	(217,559)	(221,383)
<u>FUND BALANCE</u> - Beginning of Year	787,814	504,656	394,262	1,686,732
<u>FUND BALANCE</u> - End of Year	\$ 900,294	\$ 388,352	\$ 176,703	\$ 1,465,349

The accompanying notes are an integral part of these financial statements.

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

Net Change in Fund Balances Total Governmental Funds	\$ (221,383)
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Amounts reported for governmental activities are different because:

In governmental funds property taxes receivable are deferred unless they are collected within sixty days of year end.

Deferred Property Tax Revenue - Beginning of Year	(41,549)
Deferred Property Tax Revenue - End of Year	79,465

Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(392,395)
Capital Outlay	68,008
Net Book Value of Assets Disposed of During the Year	(292)

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	49,199
Accrued Interest Payable - End of Year	(69,418)

Costs related to issuance of long term debt and losses on early defeasance of long term debt are a current expense in governmental funds, but are capitalized and amortized in the statement of activities.

Amortization of Deferred Charge	(102,998)
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Repayment of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)

920,374

Employees Early Retirement and Compensated Absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the

Compensated Absences - Beginning of Year	370,794
Compensated Absences - End of Year	<u>(297,510)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 362,295</u>
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The accompanying notes are an integral part of these financial statements.

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2008

	<u>AGENCY FUND</u>
<u>ASSETS</u>	
Cash	<u>\$ 131,503</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Due to Groups and Organizations	\$ 131,503
<u>NET ASSETS</u>	<u>0</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 131,503</u>

The accompanying notes are an integral part of these financial statements.

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Mancelona Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The School District is located in Antrim and Kalkaska Counties with its administrative offices located in Mancelona, Michigan. The District operates under an elected 7-member board of education and provides services to its 1,111 students in elementary, middle school, high school, special education, transportation, food service, athletics and child care. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. The District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

are reported in three parts – invested in capital assets, net of related debt, restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *GENERAL FUND* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *2004 DEBT RETIREMENT FUND* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Other Non-Major Funds

The *SPECIAL REVENUE FUNDS* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

District accounts for its food service, athletic activities and child care activities in the special revenue funds.

The *DEBT SERVICE FUNDS* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The 2005 Debt Retirement Fund and Durant Debt Retirement Fund are nonmajor funds.

The *CAPITAL PROJECTS FUNDS* account for the acquisition of capital assets or construction of major capital projects.

Fiduciary Funds

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *AGENCY FUND* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred,

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007, 2006, and 2005. For the year ended June 30, 2008, the per pupil foundation allowance was \$7,204 for Mancelona Public Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and was funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governments.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

D. Other Accounting Policies

1. Cash and Investments

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government, or obligations of the state.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime 1 or prime 2 at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (e) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district

The School's deposits and investments are held separately by several of the School District's funds.

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1 and billed and due July 1. Unpaid taxes become delinquent as of September 14th and are subject to penalties and interest after that date.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of taxable valuation:

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

<u>Fund</u>	<u>Mills</u>
General Fund – Non-homestead	18.0000
Debt Service Funds – Homestead and non-homestead	3.2200
Sinking Fund – Homestead and non-homestead	0.4000

4. Inventories and Prepaid Expenditures

Inventories are valued at cost. Inventory consists of supplies held for consumption. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings additions and land improvements	20 – 50 years
Furniture and other equipment	5 – 15 years

The District's capitalization policy is to capitalize individual general assets exceeding \$5,000, and individual technology assets regardless of cost.

6. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The District has elected to apply the provisions of GASB 34 paragraph 146 which allows the amortization of premiums, discounts and bond issuance costs to be applied prospectively for all bonds issued after July 1, 2002.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

Encumbrance accounting is not employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) lapse at year-end and do not constitute expenditures or liabilities because the commitments will generally be reappropriated and honored during the subsequent year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. The superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.
4. The superintendent is charged with general supervision of the budgets and holds the department heads responsible for performance of their responsibilities.
5. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
6. Budgeted amounts are as originally adopted on June 18, 2007, or as amended by the School Board of Education in February and June 2008.

B. Excess of Expenditures Over Appropriations

Excess of expenditures over appropriations occurred in the following funds:

Food Service Fund expenditures of \$585,662 exceeded appropriations of \$576,272. The overage was funded from beginning fund balance.

Latch Key Fund expenditures of \$235,557 exceeded appropriations of \$230,714. The overage was funded with higher than anticipated revenues.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits

The District's deposits and investments are all on deposit with National City Bank, Traverse Bay Area Credit Union, Alden State Bank and Michigan Liquid Asset Fund Plus.

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Interest rate risk. The District minimizes Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools; and limiting the average maturity in accordance with the District's cash requirement.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

Credit risk. The District minimizes Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

Concentration of credit risk. The District minimizes Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2008, \$853,926 of the District's bank balance of \$1,337,432 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year end all of the District's investments were uncategorized as to risk.

At year end, the only investments were investment trust funds and municipal investment funds.

Investments not subject to categorization:

Michigan Liquid Asset Fund	\$606,964
National City Municipal Investment Funds	\$470,350

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

B. Capital Assets

A summary of changes in the District's capital assets follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets not being depreciated				
Land	\$ 118,713	\$ 0	\$ 0	\$ 118,713
Capital assets being depreciated				
Land improvements	709,300	68,008	64,761	712,547
Buildings and additions	16,645,205	0	0	16,645,205
Machinery and equipment	842,115	0	21,000	821,115
Transportation equipment	871,935	0	101,260	770,675
Subtotal	19,068,555	68,008	187,021	18,949,542
Less accumulated depreciation for:				
Land improvements	261,972	26,265	64,469	223,768
Buildings and additions	5,414,606	267,529	0	5,682,135
Machinery and equipment	705,112	16,669	21,000	700,781
Transportation equipment	451,041	81,932	101,260	431,713
Accumulated Depreciation	6,832,731	392,395	186,729	7,038,397
Net capital assets being depreciated	12,235,824	(324,387)	292	11,911,145
Net capital assets	\$ 12,354,537	\$ (324,387)	\$ 292	\$ 12,029,858

Depreciation for the fiscal year ended June 30, 2008, was charged to the following functions:

Basic Programs	\$ 3,564
Operation and Maintenance	275,443
Pupil Transportation	81,932
Food Service Activities	2,976
Athletic Activities	4,339
Unallocated	24,141

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

C. Receivables

Receivables as of year end for the government's individual major funds and nonmajor funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

	GENERAL FUND	2004 DEBT FUND	OTHER NONMAJOR FUNDS	TOTAL
Receivables				
Taxes	\$ 62,019	\$ 11,196	\$ 6,250	\$ 79,465
Due from Other Governments	1,176,379	0	14,450	1,190,829
Accounts	8,004	0	5,267	13,271
Total Receivables	<u>\$ 1,246,402</u>	<u>\$ 11,196</u>	<u>\$ 25,967</u>	<u>\$ 1,283,565</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Grant Receipts Received, But Not Yet Utilized	\$ 0	\$ 153,973
Property Taxes	79,465	0
	<u>\$ 79,465</u>	<u>\$ 153,973</u>

D. Long-Term Debt

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2008:

	Early Retirement Incentives and Compensated Absences	Bonds	Equipment Loans	Total
<u>Balance:</u>				
July 1, 2007	\$ 370,794	\$ 12,574,587	\$ 180,841	\$ 13,126,222
Additions	48,966	0	0	48,966
Deletions	(122,250)	(840,000)	(80,374)	(1,042,624)
<u>Balance:</u>				
June 30, 2008	297,510	11,734,587	100,467	12,132,564
Less current portion	(54,750)	(835,000)	(81,071)	(970,821)
Total due after one year	<u>\$ 242,760</u>	<u>\$ 10,899,587</u>	<u>\$ 19,396</u>	<u>\$ 11,161,743</u>

At June 30, 2008, the District's long-term debt consisted of the following issues:

2005 Refunding Bonds due in annual installments of \$45,000 to \$800,000 from May 1, 2018 to May 1, 2023, interest at 3.800% to 4.050%	\$ 3,940,000
1998 School Improvement Bonds due in annual installments of \$10,033 to \$30,100, through May 15, 2013, interest at 4.761353%, being serviced by designated state aid	59,587
2004 School Refunding Bonds due in annual installments of \$720,000 to \$835,000 through May 1, 2018, interest at 2.750% to 3.950%	7,735,000
Tractor and Truck Contracts due in annual installments of \$18,671 to \$19,396 through June 26, 2010, plus interest at 3.88%	38,067
School Bus Contracts due in annual installments of \$62,400 through March 22, 2009, plus interest at 2.64%	62,400
Early Retirement Incentives	59,500
Master Teacher Incentives	85,000
Accumulated Sick Pay	<u>153,010</u>
Total long-term debt	<u><u>\$ 12,132,564</u></u>

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

The requirements to amortize debt outstanding as of June 30, 2008, including interest of \$3,508,331 are as follows:

Year ending June 30,	Bonds		Equipment Loans		Early Retirement Incentives		Amounts Payable
	Principal	Interest	Principal	Interest	Principal	Interest	
2009	\$ 843,977	\$ 417,568	\$ 81,071	\$ 3,124	\$ 54,750	\$ 0	\$ 1,400,490
2010	828,330	395,251	19,396	753	54,750	0	1,298,480
2011	828,561	375,487	0	0	15,000	0	1,219,048
2012	799,142	345,689	0	0	15,000	0	1,159,831
2013	784,577	319,974	0	0	5,000	0	1,109,551
2014-2018	3,755,000	1,193,596	0	0	0	0	4,948,596
2019-2023	3,895,000	460,766	0	0	0	0	4,355,766
	<u>\$11,734,587</u>	<u>\$3,508,331</u>	<u>\$100,467</u>	<u>\$ 3,877</u>	<u>\$144,500</u>	<u>\$ 0</u>	<u>15,491,762</u>

Accumulated Sick Pay	153,010
	<u>\$15,644,772</u>

E. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2008, were:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 4,500	\$ 0
Latch Key Fund	0	4,500
2004 Debt Retirement Fund	0	1,153
2005 Debt Retirement Fund	1,153	0
	<u>\$ 5,653</u>	<u>\$ 5,653</u>

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Interfund transfers as shown in the individual fund financial statements at June 30, 2008, were:

	<u>TRANSFERS</u> <u>IN</u>	<u>TRANSFERS</u> <u>OUT</u>
General Fund	\$ 0	\$ 158,000
Athletic Activities Fund	158,000	0
	<u>\$ 158,000</u>	<u>\$ 158,000</u>

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the School must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies.

F. Leases

The rental expense for the year ended June 30, 2008 totaled \$16,601.

The rental expense consists of lease agreements on copiers. The future minimum lease payments for these leases are as follows:

<u>YEAR ENDING</u>	<u>PAYABLES</u>
2009	\$ 16,888
2010	13,163
2011	11,320
2012	7,931
2013	664
	<u>\$ 49,966</u>

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

G. Designated and Reserved Fund Balance

The School has reserved or designated the fund balances as follows:

1. Food Service, Athletic Activities and Latch Key Funds
The School's policy is to show fund balances of the Food Service Fund, Athletic Activities Fund and Latch Key Fund as designated for those purposes.
2. Forestry
The board has designated proceeds from timber harvested from the school forest to be used for forestry programs and management of the school forest.
3. Debt Service
The entire fund balances of the Debt Service Funds are reserved for debt service.
4. Inventory
The General Fund balance and Food Service Fund balance are reserved for inventories to emphasize that these amounts are not appropriable for other purposes.
5. Stadium Improvements
The entire fund balance of the Stadium Capital Projects Fund is reserved for Stadium Improvements.

NOTE 4 – OTHER INFORMATION

A. Employee Retirement System

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (517) 322-5103.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2007, was 17.74% until September 30, 2007 and 16.72% for October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2008, 2007 and 2006 were \$819,632, \$910,512 and \$860,479 respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-employment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

B. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2008 or any of the prior three years.

C. Sinking Fund Tax Levy

On May 8, 2007, the taxpayers approved a renewal of a sinking fund tax levy. The School is authorized to levy .4000 mills for 5 years beginning with the 2007 tax roll. The Sinking Fund will be used for the repairs of school buildings. The transactions for the Sinking Fund are accounted for in a capital projects fund. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

D. Sale of Future Revenues

For several years, the District has sold its rights to delinquent real property tax revenues and related late payment penalties to the Antrim and Kalkaska County treasurers. For the 2007 tax roll the District received a lump sum payment of \$260,345 for general operating tax revenues, \$78,508 for debt service tax revenues and \$9,753 for sinking fund tax revenues. These amounts represent 100% of the present value of the delinquent real property tax revenues. In exchange for these payments, the counties are allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the counties are ultimately unable to collect any of these delinquent taxes, the District will have to repay the counties.

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 3,268,737	\$ 3,480,448	\$ 3,500,623
Non-Educational Entity or Political Subdivision	0	6,874	6,874
State Sources	5,375,071	5,402,537	5,314,370
Federal Sources	435,446	686,073	652,963
Other Transactions	114,038	215,637	304,775
Total Revenues	9,193,292	9,791,569	9,779,605
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	4,646,478	4,883,118	4,841,184
Added Needs	1,023,685	1,086,391	1,085,293
Supporting Services			
Pupil	455,094	564,036	498,989
Instructional Staff	107,392	205,782	201,471
General Administration	273,561	266,008	260,778
School Administration	565,525	533,538	529,135
Business	234,968	258,577	253,527
Operation and Maintenance	1,010,394	932,845	936,021
Pupil Transportation Services	627,228	609,669	607,119
Central Support Services	150,010	156,144	155,234
Other Support Services	0	700	700
Community Services	2,000	3,720	3,328
Prior Period Adjustments	0	33,864	33,870
Debt Service	0	85,844	85,867
Other Transactions	0	16,623	16,609
Total Expenditures	9,096,335	9,636,859	9,509,125
Excess (Deficiency) of Revenues			
Over Expenditures	96,957	154,710	270,480
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	(271,908)	(158,000)	(158,000)
Net Change in Fund Balance	(174,951)	(3,290)	112,480
<u>FUND BALANCE</u> - Beginning of Year	787,814	787,814	787,814
<u>FUND BALANCE</u> - End of Year	\$ 612,863	\$ 784,524	\$ 900,294

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2008

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		CAPITAL PROJECTS FUNDS		TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE	ATHLETIC ACTIVITIES	LATCHKEY	2005 DEBT RETIREMENT	DURANT DEBT RETIREMENT	SINKING	STADIUM	
<u>ASSETS</u>								
Cash	\$ 31,390	\$ 4,235	\$ 23,921	\$ 93,590	\$ 0	\$ 32,500	\$ 4,803	\$ 190,439
Taxes Receivable	0	0	0	4,891	0	1,359	0	6,250
Accounts Receivable	429	0	4,838	0	0	0	0	5,267
Due from Other Funds	0	0	0	1,153	0	0	0	1,153
Due from Other Governmental Units	9,857	0	4,593	0	0	0	0	14,450
Inventory	11,549	0	0	0	0	0	0	11,549
TOTAL ASSETS	\$ 53,225	\$ 4,235	\$ 33,352	\$ 99,634	\$ 0	\$ 33,859	\$ 4,803	\$ 229,108
<u>LIABILITIES AND FUND BALANCES</u>								
<u>LIABILITIES</u>								
Accounts Payable	\$ 31,031	\$ 162	\$ 4,103	\$ 0	\$ 0	\$ 2,870	\$ 0	\$ 38,166
Salaries Payable	0	3,241	0	0	0	0	0	3,241
Due to Other Funds	0	0	4,500	0	0	0	0	4,500
Accrued Expenditures	0	248	0	0	0	0	0	248
Deferred Revenue	0	0	0	4,891	0	1,359	0	6,250
TOTAL LIABILITIES	31,031	3,651	8,603	4,891	0	4,229	0	52,405
<u>FUND BALANCE</u>								
Reserved for Inventory	11,549	0	0	0	0	0	0	11,549
Reserved for Debt Retirement	0	0	0	94,743	0	0	0	94,743
Reserved for Stadium Improvements	0	0	0	0	0	0	4,803	4,803
Designated for Food Service	10,645	0	0	0	0	0	0	10,645
Designated for Athletic Activities	0	584	0	0	0	0	0	584
Designated for Custody and Care of Children	0	0	24,749	0	0	0	0	24,749
Unreserved, Undesignated	0	0	0	0	0	29,630	0	29,630
Total Fund Balances	22,194	584	24,749	94,743	0	29,630	4,803	176,703
TOTAL LIABILITIES AND FUND BALANCES	\$ 53,225	\$ 4,235	\$ 33,352	\$ 99,634	\$ 0	\$ 33,859	\$ 4,803	\$ 229,108

MANCELONA PUBLIC SCHOOLS

MANCELONA, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2008

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		CAPITAL PROJECTS FUNDS		TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FOOD SERVICE	ATHLETIC ACTIVITIES	LATCHKEY	2005 DEBT RETIREMENT	DURANT DEBT RETIREMENT	SINKING	STADIUM	
<u>REVENUES</u>								
Local Sources	\$ 135,944	\$ 37,459	\$ 237,781	\$ 6,798	\$ 0	\$ 124,193	\$ 250	\$ 542,425
State Sources	34,861	0	0	0	0	14	0	34,875
Federal Sources	356,006	0	0	0	0	0	0	356,006
Total Revenues	526,811	37,459	237,781	6,798	0	124,207	250	933,306
<u>EXPENDITURES</u>								
Supporting Services								
Operation and Maintenance	0	0	0	0	0	127,103	0	127,103
Food Service Activities	585,662	0	0	0	0	0	0	585,662
Athletic Activities	0	196,222	0	0	0	0	0	196,222
Custody and Care of Children	0	0	235,557	0	0	0	0	235,557
Debt Service								
Interest and Fees	0	0	0	155,144	0	0	0	155,144
Other Transactions	0	0	0	7,889	0	1,288	0	9,177
Total Expenditures	585,662	196,222	235,557	163,033	0	128,391	0	1,308,865
Excess of Revenues Over (Under) Expenditures	(58,851)	(158,763)	2,224	(156,235)	0	(4,184)	250	(375,559)
<u>OTHER FINANCING SOURCES (USES)</u>								
Transfers In (Out)	0	158,000	0	0	0	0	0	158,000
Net Change in Fund Balance	(58,851)	(763)	2,224	(156,235)	0	(4,184)	250	(217,559)
<u>FUND BALANCE</u> - Beginning of Year	81,045	1,347	22,525	250,978	0	33,814	4,553	394,262
<u>FUND BALANCE</u> - End of Year	\$ 22,194	\$ 584	\$ 24,749	\$ 94,743	\$ 0	\$ 29,630	\$ 4,803	\$ 176,703

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 565,507	\$ 603,535
Taxes Receivable	62,019	30,448
Accounts Receivable	8,004	15,072
Due from Other Funds	4,500	0
Due from Other Governmental Units	1,176,379	1,081,302
Inventory	16,835	16,058
Prepaid Expenditures	0	55,353
Investments	606,964	277,919
	<hr/>	<hr/>
TOTAL ASSETS	\$ 2,440,208	\$ 2,079,687
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 96,778	\$ 26,160
Due to Other Funds	0	7,245
Accrued Expenditures	492,269	389,652
Salaries Payable	734,875	728,451
Deferred Revenue	215,992	140,365
Total Liabilities	<hr/> 1,539,914	<hr/> 1,291,873
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Reserved for		
Inventory	16,835	16,058
Prepaid Expenditures	0	55,353
Unreserved		
Designated for Forestry	14,982	26,195
Undesignated	868,477	690,208
Total Fund Balance	<hr/> 900,294	<hr/> 787,814
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,440,208	\$ 2,079,687
	<hr/>	<hr/>

MANCELONA PUBLIC SCHOOLS

MANCELONA, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	<u>2008</u>		<u>2007</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources	\$ 3,480,448	\$ 3,500,623	\$ 3,368,017
Non-Educational Entity or Political Subdivision	6,874	6,874	0
State Sources	5,402,537	5,314,370	5,560,806
Federal Sources	686,073	652,963	424,327
Other Transactions	215,637	304,775	288,594
Total Revenues	<u>9,791,569</u>	<u>9,779,605</u>	<u>9,641,744</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs			
Elementary School	1,841,985	1,844,804	1,717,078
Middle School	1,417,000	1,417,044	1,381,055
High School	1,357,570	1,357,479	1,414,118
Pre School	234,744	204,822	163,384
Summer School	31,819	17,035	25,584
Added Needs			
Special Education	799,514	798,093	828,601
Compensatory Education	286,877	287,200	277,931
Supporting Services			
Pupil			
Guidance Services	360,293	318,162	313,915
Social Work Services	175,701	157,718	168,016
Other Pupil Services	28,042	23,109	19,258
Instructional Staff			
Improvement of Instruction	10,236	9,210	1,359
Educational Media Services	95,973	95,973	87,627
Supervision/Direction of Instruction	99,573	96,288	26,519
General Administration			
Board of Education	84,461	80,689	60,617
Executive Administration	181,547	180,089	208,878
School Administration			
Office of the Principal	530,538	527,390	563,522
Other School Administration	3,000	1,745	1,674

MANCELONA PUBLIC SCHOOLS

MANCELONA, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	<u>2008</u>		<u>2007</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Business			
Fiscal Services	156,451	156,201	156,468
Other Business Services	102,126	97,326	53,735
Operation and Maintenance	932,845	936,021	947,895
Pupil Transportation Services	609,669	607,119	601,919
Central Support Services	156,144	155,234	151,069
Other Support Services	700	700	0
Community Services			
Parental Involvement	2,000	2,308	1,815
Other Community Services	1,720	1,020	64
Prior Period Adjustments	33,864	33,870	49,137
Debt Services			
Principal Redemption	80,374	80,374	79,702
Interest	5,470	5,493	7,715
Other Transactions			
Transfers to Other School Districts	16,623	16,609	16,116
Total Expenditures	<u>9,636,859</u>	<u>9,509,125</u>	<u>9,324,771</u>
Excess of Revenues Over (Under) Expenditures	154,710	270,480	316,973
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	<u>(158,000)</u>	<u>(158,000)</u>	<u>(167,000)</u>
Net Change in Fund Balance	(3,290)	112,480	149,973
<u>FUND BALANCE</u> - Beginning of Year	<u>787,814</u>	<u>787,814</u>	<u>637,841</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 784,524</u>	<u>\$ 900,294</u>	<u>\$ 787,814</u>

MANCELONA PUBLIC SCHOOLS

MANCELONA, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
<u>LOCAL SOURCES</u>			
Property Taxes			
Operating Millage	\$ 3,294,059	\$ 3,293,237	\$ 3,145,216
Interest on Delinquent Taxes	22,161	22,161	22,986
Commercial Forest	424	998	373
Earnings on Investments and Deposits	60,000	63,264	61,092
Vending Machine Sales	10,000	9,175	9,765
Community Service Activity	7,000	7,520	12,935
Rental of School Property	13,550	18,365	20,160
Contributions from Private Sources	22,907	22,957	34,516
Resource Center	14,677	14,673	25,886
Traverse Area Arts Council	0	0	813
Miscellaneous	35,670	48,273	34,275
Total Local Sources	3,480,448	3,500,623	3,368,017
<u>NON-EDUCATIONAL ENTITY OR POLITICAL SUBDIVISION SOURCES</u>			
Grants-In-Aid Unrestricted			
Grand Traverse Resort and Casino	6,874	6,874	0
<u>STATE SOURCES</u>			
Grants-In-Aid Unrestricted			
State School Aid			
Foundation Allowance	4,424,010	4,425,339	4,677,107
Grants-In-Aid Restricted			
State School Aid			
Durant Settlement	14,288	14,288	14,288
At Risk	332,033	279,648	284,673
Middle School Math/Science	1,967	1,967	11,791
School Readiness	250,086	218,524	172,546
Foundation Allowance- Special Education	352,568	352,566	373,956
Health Center	27,585	22,038	26,445
Total State Sources	5,402,537	5,314,370	5,560,806

MANCELONA PUBLIC SCHOOLS

MANCELONA, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	<u>2008</u>		<u>2007</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>FEDERAL SOURCES</u>			
Grants-In-Aid Restricted			
Received from Michigan Department of Education			
Title II-D - Technology Grant	2,422	2,422	2,609
Title I	266,568	266,568	277,199
Title V-A	2,312	2,312	2,003
Title II-A - Improving Teacher Quality	74,544	74,544	65,266
No Child Left Behind-21st Century	246,046	246,046	0
Received from Michigan Family Independence Agency			
Strong Families Safe Children	46,503	38,007	27,997
Received from Intermediate School Districts			
Carl D. Perkins Grant	25,000	0	26,468
Title IIA - Teacher Training	2,072	2,072	3,528
IDEA Preschool Incentive	17,764	17,764	17,847
IDEA	0	0	448
Transition Grant	0	147	616
Medicaid Transportation	2,842	3,081	346
Total Federal Sources	<u>686,073</u>	<u>652,963</u>	<u>424,327</u>
<u>OTHER TRANSACTIONS</u>			
Transfers from Other School Districts Within the State			
Transportation and Miscellaneous	438	437	525
TBA Perkins Continuation Grant	0	25,000	0
Special Education Millage	105,029	105,029	144,790
Other Transfers	70,464	91,046	69,745
Insurance Reimbursement	5,591	12,922	5,471
Prior Period Adjustment	28,586	64,812	68,063
Proceeds from Sale of Capital Assets	5,529	5,529	0
Total Other Transactions	<u>215,637</u>	<u>304,775</u>	<u>288,594</u>
 TOTAL REVENUES	 <u>\$ 9,791,569</u>	 <u>\$ 9,779,605</u>	 <u>\$ 9,641,744</u>

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	<u>2008</u>		<u>2007</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>INSTRUCTION</u>			
<u>Basic Programs</u>			
<u>Elementary</u>			
Salaries	\$ 1,129,221	\$ 1,126,700	\$ 1,068,960
Employee Benefits	595,935	595,934	594,536
Purchased Services	67,175	66,626	6,241
Supplies and Materials	46,282	52,141	43,550
Capital Outlay	868	868	1,555
Other Expense	2,504	2,535	2,236
Total Elementary	<u>1,841,985</u>	<u>1,844,804</u>	<u>1,717,078</u>
<u>Middle School</u>			
Salaries	819,470	818,850	846,651
Employee Benefits	489,629	488,859	488,188
Purchased Services	74,227	71,149	8,714
Supplies and Materials	24,579	29,484	32,664
Capital Outlay	4,000	4,000	2,011
Other Expense	5,095	4,702	2,827
Total Middle School	<u>1,417,000</u>	<u>1,417,044</u>	<u>1,381,055</u>
<u>High School</u>			
Salaries	770,005	768,898	843,379
Employee Benefits	467,769	469,327	491,780
Purchased Services	77,400	75,932	12,384
Supplies and Materials	34,810	35,912	58,584
Capital Outlay	6,125	6,025	796
Other Expense	1,461	1,385	1,016
Tuition	0	0	6,179
Total High School	<u>1,357,570</u>	<u>1,357,479</u>	<u>1,414,118</u>
<u>Preschool</u>			
Salaries	134,958	116,119	93,883
Employee Benefits	84,367	80,373	64,808

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
Purchased Services	3,555	3,307	972
Supplies and Materials	10,823	4,020	2,425
Other Expense	1,041	1,003	1,296
Total Preschool	234,744	204,822	163,384
<u>Summer School</u>			
Salaries	11,100	8,140	16,080
Employee Benefits	2,728	2,013	4,007
Purchased Services	10,872	3,028	0
Supplies and Materials	5,619	3,634	4,440
Other Expense	1,500	220	1,057
Total Summer School	31,819	17,035	25,584
<u>Added Needs</u>			
<u> Special Education</u>			
Salaries	466,264	464,601	491,664
Employee Benefits	308,125	308,743	324,098
Purchased Services	16,523	16,568	4,750
Supplies and Materials	6,114	5,843	6,048
Capital Outlay	738	738	0
Other Expense	1,750	1,600	2,041
Total Special Education	799,514	798,093	828,601
<u>Compensatory Education</u>			
Salaries	174,782	173,949	164,173
Employee Benefits	96,895	99,487	96,277
Purchased Services	3,251	5,263	1,079
Supplies and Materials	11,949	8,501	16,402
Total Compensatory Education	286,877	287,200	277,931

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	<u>2008</u>		<u>2007</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>SUPPORTING SERVICES</u>			
<u>Pupil</u>			
<u>Guidance Services</u>			
Salaries	168,992	167,564	182,780
Employee Benefits	117,365	116,772	111,895
Purchased Services	9,706	9,546	275
Supplies and Materials	37,230	3,237	965
Other Expense	27,000	21,043	18,000
Total Guidance Services	<u>360,293</u>	<u>318,162</u>	<u>313,915</u>
<u>Social Work Services</u>			
Salaries	109,729	97,269	100,540
Employee Benefits	58,561	53,032	57,496
Purchased Services	6,499	6,511	9,587
Supplies and Materials	912	906	393
Total Social Work Services	<u>175,701</u>	<u>157,718</u>	<u>168,016</u>
<u>Other Pupil Services</u>			
Salaries	19,452	16,249	13,204
Employee Benefits	8,590	6,860	6,054
Total Other Pupil Services	<u>28,042</u>	<u>23,109</u>	<u>19,258</u>
<u>Instructional Staff</u>			
<u>Improvement of Instruction</u>			
Purchased Services	<u>10,236</u>	<u>9,210</u>	<u>1,359</u>
<u>Education Media Services</u>			
Salaries	59,445	59,270	54,056
Employee Benefits	29,562	29,823	27,097
Purchased Services	364	364	131
Supplies and Materials	6,602	6,516	6,343
Total Education Media Services	<u>95,973</u>	<u>95,973</u>	<u>87,627</u>

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
<u>Supervision/Direction of Instruction</u>			
Salaries	14,630	14,629	14,815
Employee Benefits	10,370	10,371	11,653
Purchased Services	68,618	63,583	0
Supplies and Materials	4,585	7,705	51
Other Expense	1,370	0	0
Total Supervision/Direction of Instruction	99,573	96,288	26,519
<u>General Administration</u>			
<u>Board of Education</u>			
Salaries	3,600	3,188	3,320
Employee Benefits	505	475	452
Purchased Services	72,274	69,607	49,519
Other Expense	8,082	7,419	7,326
Total Board of Education	84,461	80,689	60,617
<u>Executive Administration</u>			
Salaries	139,118	139,117	140,251
Employee Benefits	32,612	32,556	60,079
Purchased Services	6,618	6,540	6,427
Supplies and Materials	2,000	1,100	1,352
Other Expense	1,199	776	769
Total Executive Administration	181,547	180,089	208,878
<u>School Administration</u>			
<u>Office of the Principal</u>			
Salaries	322,818	321,068	311,717
Employee Benefits	159,584	159,016	200,466
Purchased Services	37,600	37,776	40,016
Supplies and Materials	5,500	5,350	6,734
Capital Outlay	374	373	450
Other Expense	4,662	3,807	4,139
Total Office of the Principal	530,538	527,390	563,522

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	<u>2008</u>		<u>2007</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>Other School Administration</u>			
Supplies and Materials	3,000	1,745	1,674
<u>Business</u>			
<u>Fiscal Services</u>			
Salaries	95,512	95,504	90,437
Employee Benefits	53,390	53,395	58,505
Purchased Services	3,801	3,927	4,272
Supplies and Materials	3,200	3,127	2,859
Other Expense	548	248	395
Total Fiscal Services	156,451	156,201	156,468
<u>Other Business Services</u>			
Purchased Services	39,529	39,529	40,932
Other Expense	62,597	57,797	12,803
Total Other Business Services	102,126	97,326	53,735
<u>Operation and Maintenance</u>			
Salaries	273,734	273,959	279,192
Employee Benefits	203,997	204,038	214,146
Purchased Services	113,358	113,178	120,033
Supplies and Materials	333,109	336,216	328,868
Capital Outlay	3,228	3,227	2,879
Other Expense	5,419	5,403	2,777
Total Operation and Maintenance	932,845	936,021	947,895
<u>Pupil Transportation Services</u>			
Salaries	170,944	170,456	222,049
Employee Benefits	199,976	200,864	249,188
Purchased Services	121,798	122,471	46,051
Supplies and Materials	110,201	107,758	80,893
Capital Outlay	3,200	3,246	0

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	2008		2007
	BUDGET	ACTUAL	ACTUAL
Other Expense	3,550	2,324	3,738
Total Pupil Transportation Services	609,669	607,119	601,919
<u>Central Support Services</u>			
<u> Planning, Research and Development</u>			
Purchased Services	11,500	11,500	0
<u> Staff Services</u>			
Purchased Services	6,594	6,529	1,159
<u> Technology</u>			
Salaries	8,369	8,369	64,024
Employee Benefits	3,377	3,376	33,933
Purchased Services	95,116	95,197	16,119
Supplies and Materials	18,062	17,187	14,807
Capital Outlay	13,126	13,076	21,027
Total Technology	138,050	137,205	149,910
<u>Other Support Services</u>			
Purchased Services	700	700	0
<u>COMMUNITY SERVICES</u>			
<u> Parental Involvement</u>			
Other Expense	2,000	2,308	1,815
<u>Other Community Services</u>			
Other Expense	1,720	1,020	64
<u>PRIOR PERIOD ADJUSTMENTS</u>			
Other Expense	33,864	33,870	49,137

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	<u>2008</u>		<u>2007</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>PAYMENTS TO OTHER K-12 DISTRICTS</u>			
Subgrantee Disbursements	5,000	5,747	0
Other Transactions	11,623	10,862	16,116
Total Transfers to Other Districts	16,623	16,609	16,116
<u>DEBT SERVICES</u>			
<u>Equipment Loans</u>			
Principal Redemption	80,374	80,374	79,702
Interest	5,470	5,493	7,715
Total Equipment Loans	85,844	85,867	87,417
 TOTAL EXPENDITURES	 \$ 9,636,859	 \$ 9,509,125	 \$ 9,324,771

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

2004 DEBT RETIREMENT FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 389,505	\$ 499,465
Taxes Receivable	11,196	5,542
Due from Other Funds	0	5,191
	<hr/>	<hr/>
TOTAL ASSETS	\$ 400,701	\$ 510,198
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 1,153	\$ 0
Deferred Revenue	11,196	5,542
	<hr/>	<hr/>
Total Liabilities	12,349	5,542
<u>FUND BALANCE</u>		
Reserved for Debt Retirement	388,352	504,656
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 400,701	\$ 510,198
	<hr/>	<hr/>

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

2004 DEBT RETIREMENT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>REVENUES</u>		
Local Sources		
Property Taxes	\$ 977,089	\$ 873,409
Interest on Delinquent Taxes	5,201	4,757
Earnings on Investments and Deposits	36,877	29,092
State Sources		
Payments in Lieu of Tax		
Commercial Forest and DNR	8,051	9,410
Total Revenues	<u>1,027,218</u>	<u>916,668</u>
<u>EXPENDITURES</u>		
Debt Service		
Bond Principal	840,000	285,000
Interest and Fees	295,418	303,968
Other Transactions	8,104	551
Total Expenditures	<u>1,143,522</u>	<u>589,519</u>
Excess of Revenues Over (Under)		
Expenditures	(116,304)	327,149
<u>FUND BALANCE</u> - Beginning of Year	<u>504,656</u>	<u>177,507</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 388,352</u>	<u>\$ 504,656</u>

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

FOOD SERVICE FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 31,390	\$ 77,691
Accounts Receivable	429	273
Due from Other Governments	9,857	10,150
Inventory	11,549	15,399
TOTAL ASSETS	<u>\$ 53,225</u>	<u>\$ 103,513</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 31,031	\$ 93
Salaries Payable	0	14,309
Accrued Expenditures	0	8,066
Total Liabilities	<u>31,031</u>	<u>22,468</u>
 <u>FUND BALANCE</u>		
Reserved for Inventory	11,549	15,399
Unreserved		
Designated for Food Service	<u>10,645</u>	<u>65,646</u>
Total Fund Balance	<u>22,194</u>	<u>81,045</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 53,225</u>	<u>\$ 103,513</u>

MANCELONA PUBLIC SCHOOLS

MANCELONA, MICHIGAN

FOOD SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	<u>2008</u>		<u>2007</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources			
Food Sales to Pupils	\$ 95,422	\$ 95,368	\$ 77,677
Food Sales to Adults	7,884	7,940	7,113
Ala-Carte Sales and Milk Sales	21,061	22,771	32,477
Other Income	5,000	9,865	6,159
State Sources			
State Aid	34,859	34,861	20,832
Federal Sources			
National School Breakfast Program	68,046	67,532	73,650
National School Lunch Program	241,254	242,323	245,980
U.S.D.A. Non-Bonus Commodities	25,000	24,995	24,899
U.S.D.A. Bonus Commodities	1,200	475	422
Summer Food Service Program for Children	21,534	20,681	24,580
Total Revenues	521,260	526,811	513,789
<u>EXPENDITURES</u>			
Food Service Activities			
Salaries	9,547	9,546	128,870
Employee Benefits	18,216	16,241	74,283
Purchased Services	504,491	513,119	3,987
Supplies and Materials	29,696	34,115	252,659
Capital Outlay	10,322	10,322	0
Other Expenses	4,000	2,319	1,114
Total Expenditures	576,272	585,662	460,913
Excess of Revenues Over (Under) Expenditures	(55,012)	(58,851)	52,876
<u>FUND BALANCE</u> - Beginning of Year	81,045	81,045	28,169
<u>FUND BALANCE</u> - End of Year	\$ 26,033	\$ 22,194	\$ 81,045

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

ATHLETIC ACTIVITIES FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	2008	2007
<u>ASSETS</u>		
Cash	\$ 4,235	\$ 2,494
Accounts Receivable	0	2,500
TOTAL ASSETS	<u>\$ 4,235</u>	<u>\$ 4,994</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 162	\$ 209
Salaries Payable	3,241	3,194
Accrued Expenditures	248	244
Total Liabilities	3,651	3,647
<u>FUND BALANCE</u>		
Unreserved		
Designated for Athletic Activities	584	1,347
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,235</u>	<u>\$ 4,994</u>

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

ATHLETIC ACTIVITIES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	<u>2008</u>		<u>2007</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources			
Admissions	\$ 33,304	\$ 33,304	\$ 46,069
Entry Fees	3,910	3,910	6,075
Donations	0	0	8,997
Miscellaneous	245	245	792
Total Revenues	37,459	37,459	61,933
<u>EXPENDITURES</u>			
Athletic Activities			
Salaries	120,826	120,598	122,565
Employee Benefits	27,022	26,966	28,339
Purchased Services	21,331	21,368	24,062
Supplies and Materials	19,604	19,585	17,679
Capital Outlay	92	92	18,833
Other Expense	6,375	6,437	14,362
Transfers to Other Districts	1,176	1,176	2,420
Total Expenditures	196,426	196,222	228,260
Excess of Revenues Over (Under) Expenditures	(158,967)	(158,763)	(166,327)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	158,000	158,000	167,000
Net Change in Fund Balance	(967)	(763)	673
<u>FUND BALANCE</u> - Beginning of Year	1,347	1,347	674
<u>FUND BALANCE</u> - End of Year	\$ 380	\$ 584	\$ 1,347

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

LATCH KEY FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	2008	2007
<u>ASSETS</u>		
Cash	\$ 23,921	\$ 11,070
Accounts Receivable	4,838	8,425
Due from Other Funds	0	659
Due from Other Governmental Units	4,593	8,298
TOTAL ASSETS	<u>\$ 33,352</u>	<u>\$ 28,452</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 4,103	\$ 5,927
Due to Other Funds	4,500	0
Total Liabilities	8,603	5,927
<u>FUND BALANCE</u>		
Unreserved		
Designated for Custody and Care of Children	24,749	22,525
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 33,352</u>	<u>\$ 28,452</u>

MANCELONA PUBLIC SCHOOLS

MANCELONA, MICHIGAN

LATCH KEY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2007

	<u>2008</u>		<u>2007</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Local Sources			
Earnings on Investments and Deposits	\$ 100	\$ 106	\$ 160
Charges for Child Care Services			
Private Pay			
Children, Infants and Toddlers	60,637	59,749	51,378
Michigan Family Independence Agency			
Children, Infants and Toddlers	98,580	100,352	104,982
Northwest Michigan Human Services	75,745	76,018	71,128
Miscellaneous	1,526	1,556	1,202
Total Revenues	<u>236,588</u>	<u>237,781</u>	<u>228,850</u>
<u>EXPENDITURES</u>			
Custody and Care of Children			
Children, Infants and Toddlers			
Salaries	31,533	31,533	34,817
Employee Benefits	20,988	20,983	25,843
Purchased Services	171,609	176,552	177,846
Supplies and Materials	2,000	1,958	2,948
Capital Outlay	84	84	6,816
Other Expenses	4,500	4,447	4,226
Total Expenditures	<u>230,714</u>	<u>235,557</u>	<u>252,496</u>
Excess of Revenues Over (Under)			
Expenditures	5,874	2,224	(23,646)
<u>FUND BALANCE</u> - Beginning of Year	<u>22,525</u>	<u>22,525</u>	<u>46,171</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 28,399</u>	<u>\$ 24,749</u>	<u>\$ 22,525</u>

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

2005 DEBT RETIREMENT FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	2008	2007
<u>ASSETS</u>		
Cash	\$ 93,590	\$ 249,977
Taxes Receivable	4,891	4,903
Due from Other Funds	1,153	1,001
TOTAL ASSETS	<u>\$ 99,634</u>	<u>\$ 255,881</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred Revenue	\$ 4,891	\$ 4,903
<u>FUND BALANCE</u>		
Reserved for Debt Retirement	94,743	250,978
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 99,634</u>	<u>\$ 255,881</u>

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

2005 DEBT RETIREMENT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>REVENUES</u>		
Local Sources		
Property Taxes	\$ 225	\$ 865,056
Interest on Delinquent Taxes	1	4,677
Earnings on Investments and Deposits	5,112	16,055
Miscellaneous	1,460	0
State Sources		
Payments in Lieu of Tax		
Commercial Forest	0	5,220
Total Revenues	<u>6,798</u>	<u>891,008</u>
<u>EXPENDITURES</u>		
Debt Service		
Principal	0	480,000
Interest and Fees	155,144	169,319
Other Transactions	7,889	91
Total Expenditures	<u>163,033</u>	<u>649,410</u>
Excess of Revenues Over (Under)		
Expenditures	(156,235)	241,598
<u>FUND BALANCE</u> - Beginning of Year	<u>250,978</u>	<u>9,380</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 94,743</u>	<u>\$ 250,978</u>

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

DURANT DEBT RETIREMENT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>REVENUES</u>		
State Sources		
Durant Settlement Debt Service	\$ 0	\$ 0
<u>EXPENDITURES</u>		
Debt Service		
Redemption of Principal	0	0
Interest on Debt	0	0
Total Expenditures	0	0
Excess of Revenues Over (Under) Expenditures	0	0
<u>FUND BALANCE</u> - Beginning of Year	0	0
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

SINKING FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 32,500	\$ 33,420
Due from Other Funds	0	394
Taxes Receivable	1,359	656
	<hr/>	<hr/>
TOTAL ASSETS	\$ 33,859	\$ 34,470
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 2,870	\$ 0
Deferred Revenue	1,359	656
	<hr/>	<hr/>
Total Liabilities	4,229	656
<u>FUND BALANCE</u>		
Unreserved	29,630	33,814
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 33,859	\$ 34,470
	<hr/> <hr/>	<hr/> <hr/>

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

SINKING FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>REVENUES</u>		
Local Sources		
Property Taxes	\$ 122,485	\$ 111,033
Interest on Delinquent Taxes	646	603
Earnings on Investments and Deposits	1,062	1,336
State Sources		
Payments in Lieu of Tax		
Commercial Forest	14	934
Total Revenues	<u>124,207</u>	<u>113,906</u>
<u>EXPENDITURES</u>		
Supporting Services		
Operation and Maintenance of Plant		
Purchased Services	127,103	122,615
Other Transactions	<u>1,288</u>	<u>201</u>
Total Expenditures	<u>128,391</u>	<u>122,816</u>
Excess of Revenues Over (Under)		
Expenditures	(4,184)	(8,910)
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfer Out	<u>0</u>	<u>(70,000)</u>
Net Change in Fund Balance	(4,184)	(78,910)
<u>FUND BALANCE</u> - Beginning of Year	<u>33,814</u>	<u>112,724</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 29,630</u>	<u>\$ 33,814</u>

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

STADIUM CAPITAL PROJECTS FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>REVENUES</u>		
Local Sources		
Contributions from Private Sources	\$ 250	\$ 17,550
<u>EXPENDITURES</u>		
Facilities Acquisition		
Capital Outlay	0	88,385
Other Expenditures	0	887
Total Expenditures	0	89,272
Excess of Revenues Over (Under) Expenditures	250	(71,722)
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In	0	70,000
Net Change in Fund Balance	250	(1,722)
<u>FUND BALANCE</u> - Beginning of Year	4,553	6,275
<u>FUND BALANCE</u> - End of Year	\$ 4,803	\$ 4,553

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2008

	BALANCE 7/01/07	RECEIPTS (INCLUDING TRANSFERS)	DISBURSEMENTS	BALANCE 6/30/08
Band Fund	\$ 1	\$ 0	\$ 0	\$ 1
Band Uniform Fund	129	0	43	86
Baseball	2,053	2,835	775	4,113
Boys Basketball	833	3,361	3,155	1,039
Candy Sales - 3rd - McLeod	1,158	273	924	507
Candy Sales - 3rd - Zimpfer	247	434	550	131
Candy Sales - 3rd - Kennedy	0	378	190	188
Candy Sales - 3rd - Nusse	659	533	811	381
Candy Sales - 3rd - Smith	688	452	710	430
Candy Sales - 4th - Elder	466	381	581	266
Candy Sales - 4th - Maue	1,633	380	606	1,407
Cheerleaders - J.V. and Varsity	585	1,758	572	1,771
Class of 2002	180	0	0	180
Class of 2003	277	0	0	277
Class of 2007	108	0	0	108
Class of 2008	1,191	75	1,102	164
Class of 2009	2,194	4,070	2,923	3,341
Class of 2010	353	1,389	806	936
Class of 2011	0	425	10	415
Cross Country Invitational	165	446	608	3
Drama	2	0	0	2
Elementary Athletic	510	0	31	479
Elementary Carnival	14,093	6,634	5,001	15,726
Elementary Classroom Fund	4,757	578	532	4,803
Elementary Get Involved	0	2,633	1,292	1,341
Elementary Garden Project	4,147	0	0	4,147
Elementary Library	1,291	3,640	4,121	810
Elementary Nutrition	323	0	0	323
Elementary Playground Project	22,511	33,662	36,805	19,368
Elementary Principal	1,558	801	1,548	811
Elementary Resource	1,047	7,650	8,133	564
Eighth Grade	3,606	8,148	10,554	1,200

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2008

	BALANCE 7/01/07	RECEIPTS (INCLUDING TRANSFERS)	DISBURSEMENTS	BALANCE 6/30/08
Female Athletics	200	0	0	200
Fifth Grade	440	3,864	3,256	1,048
Football Dinners	42	3,018	1,412	1,648
Gifted and Talented	1,876	6,353	7,142	1,087
Girls Basketball Fund Raising	528	6,689	6,662	555
GT Regional Foundation	132	3,101	3,179	54
High School Art Department	117	10	0	127
High School Book Club	20	0	0	20
High School Environmental Club	215	0	0	215
High School Home Economics	1,065	0	0	1,065
High School Library	379	3,202	3,437	144
High School Mexico Trip	7	0	0	7
High School Boys Track	307	233	540	0
High School Girls Track	0	965	965	0
Irene Erber Kids Fund	13	0	0	13
JV Softball	628	50	0	678
Locker Fund	218	0	0	218
Mancelona High School	3,895	6,307	8,192	2,010
Middle School	4,248	583	2,603	2,228
Middle School Band	32	7,601	7,558	75
Middle School Fundraiser	2,593	0	0	2,593
Middle School MEF Grants	0	75	75	0
Middle School Mural	133	0	133	0
Middle School Student Council	0	328	164	164
Middle School Wrestling	0	4,801	494	4,307
Middle School Yearbook	0	1,887	1,773	114
National Honor Society	60	75	111	24
National Junior Honor Society	0	504	424	80
Senior Video	298	0	0	298
Seventh Grade	596	2,691	2,568	719
Sixth Grade	294	5,652	5,415	531
Ski Club	58	0	0	58

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2008

	BALANCE 7/01/07	RECEIPTS (INCLUDING TRANSFERS)	DISBURSEMENTS	BALANCE 6/30/08
Sports Boosters	0	41,108	20,207	20,901
Student Council	468	1,530	1,840	158
Suspense	5,381	4,041	2,390	7,032
S.A.D.D.	398	0	300	98
Theater Trip	379	23,321	23,060	640
Varsity Softball	733	537	374	896
Volleyball	775	1,745	1,736	784
Woodshop	0	2,422	261	2,161
Wrestling	257	30	0	287
Yearbook	6,456	4,377	4,129	6,704
Young Authors	2,857	8,815	5,428	6,244
	<u>\$ 102,863</u>	<u>\$ 226,851</u>	<u>\$ 198,211</u>	<u>\$ 131,503</u>

Represented by

Assets

Cash

\$ 102,863

\$ 131,503

Liabilities

Due to Groups and
Organizations

\$ 102,863

\$ 131,503

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN
SCHEDULE OF 2007 TAX ROLL
YEAR ENDED JUNE 30, 2008

	TAXABLE VALUATIONS	TAXES ASSESSED	TAXES COLLECTED	TAXES RETURNED DELINQUENT
<u>GENERAL FUND (18.00 MILLS)</u>				
<u>ANTRIM COUNTY</u>				
Mancelona Township	\$ 57,367,337	\$ 1,032,603	\$ 857,839	\$ 174,764
Helena Township	59,783,128	1,076,093	1,023,062	53,031
Custer Township	47,358,803	852,454	812,148	40,306
Chestonia Township	3,572,599	64,306	58,987	5,319
<u>KALKASKA COUNTY</u>				
Coldsprings Township	12,414,037	225,059	213,731	11,328
Rapid River Township	2,419,910	42,631	33,083	9,548
	<u>\$ 182,915,814</u>	<u>\$ 3,293,146</u>	<u>\$ 2,998,850</u>	<u>\$ 294,296</u>
<u>SINKING FUND (0.4000 MILLS)</u>				
<u>ANTRIM COUNTY</u>				
Mancelona Township	\$ 104,562,802	\$ 41,823	\$ 36,049	\$ 5,774
Helena Township	105,438,417	42,174	39,996	2,178
Custer Township	64,015,363	25,605	24,124	1,481
Chestonia Township	5,876,102	2,350	2,128	222
<u>KALKASKA COUNTY</u>				
Coldsprings Township	20,938,403	8,339	7,809	530
Rapid River Township	4,696,858	1,850	1,524	326
	<u>\$ 305,527,945</u>	<u>\$ 122,141</u>	<u>\$ 111,630</u>	<u>\$ 10,511</u>
<u>2004 DEBT RETIREMENT FUND (3.2200 MILLS)</u>				
<u>ANTRIM COUNTY</u>				
Mancelona Township	\$ 104,562,802	\$ 336,671	\$ 290,192	\$ 46,479
Helena Township	105,438,417	339,505	321,969	17,536
Custer Township	64,015,363	206,117	194,198	11,919
Chestonia Township	5,876,102	18,920	17,134	1,786
<u>KALKASKA COUNTY</u>				
Coldsprings Township	20,938,403	67,128	62,860	4,268
Rapid River Township	4,696,858	14,894	12,266	2,628
	<u>\$ 305,527,945</u>	<u>\$ 983,235</u>	<u>\$ 898,619</u>	<u>\$ 84,616</u>

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN
2004 REFUNDING BONDS
JUNE 30, 2008

<u>TITLE OF ISSUE</u>	2004 Refunding Bonds (General Obligation-Unlimited Tax)		
<u>PURPOSE</u>	For the purpose of refunding part of the District's 1978 School District bonds, dated May 1, 1978, which are due July 1, 2005, through July 1, 2007, and the 1997 School Building and Site Bonds, dated June 1, 1997, which are due and payable May 1, 2007, through May 1, 2014, inclusive, and May 1, 2018, and to pay the costs of issuing the bonds.		
<u>DATE OF ISSUE</u>	March 30, 2004		
<u>AMOUNT OF ISSUE</u>		\$	9,405,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year	\$	830,000	
During Current Year		840,000	1,670,000
<u>BALANCE OUTSTANDING - June 30, 2008</u>		\$	<u>7,735,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2008		\$ 130,796	\$ 130,796	
May 1, 2009	2.75%	965,796	130,796	\$ 835,000
November 1, 2009		119,315	119,315	
May 1, 2010	3.00%	939,315	119,315	820,000
November 1, 2010		107,015	107,015	
May 1, 2011	3.00%	912,015	107,015	805,000
November 1, 2011		94,940	94,940	
May 1, 2012	3.20%	884,940	94,940	790,000
November 1, 2012		82,300	82,300	
May 1, 2013	3.40%	857,300	82,300	775,000
November 1, 2013		69,125	69,125	
May 1, 2014	3.50%	834,125	69,125	765,000
November 1, 2014		55,738	55,738	
May 1, 2015	3.60%	810,738	55,738	755,000
November 1, 2015		42,148	42,148	
May 1, 2016	3.75%	782,148	42,148	740,000
November 1, 2016		28,272	28,272	
May 1, 2017	3.85%	758,272	28,272	730,000
November 1, 2017		14,220	14,220	
May 1, 2018	3.95%	734,220	14,220	720,000
		<u>\$ 9,222,738</u>	<u>\$ 1,487,738</u>	<u>\$ 7,735,000</u>

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

2005 REFUNDING BONDS
JUNE 30, 2008

<u>TITLE OF ISSUE</u>	2005 Refunding Bonds (General Obligation-Unlimited Tax)		
<u>PURPOSE</u>	For the purpose of refunding part of the District's 1997 School Building and Site Bonds, dated June 1, 1997, which are due and payable May 1, 2007, and May 1, 2019, through May 1, 2023, inclusive, and to pay the costs of issuing the bonds.		
<u>DATE OF ISSUE</u>	July 7, 2005		
<u>AMOUNT OF ISSUE</u>		\$	4,540,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Year	\$	600,000	
During Current Year		0	600,000
			<hr/>
<u>BALANCE OUTSTANDING - June 30, 2008</u>		\$	<u>3,940,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2008		\$ 77,459	\$ 77,459	
May 1, 2009		77,459	77,459	\$ 0
November 1, 2009		77,459	77,459	
May 1, 2010		77,459	77,459	0
November 1, 2010		77,459	77,459	
May 1, 2011		77,459	77,459	0
November 1, 2011		77,459	77,459	
May 1, 2012		77,459	77,459	0
November 1, 2012		77,459	77,459	
May 1, 2013		77,459	77,459	0
November 1, 2013		77,459	77,459	
May 1, 2014		77,459	77,459	0
November 1, 2014		77,459	77,459	
May 1, 2015		77,459	77,459	0
November 1, 2015		77,459	77,459	
May 1, 2016		77,459	77,459	0

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

2005 REFUNDING BONDS
JUNE 30, 2008

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2016		77,459	77,459	
May 1, 2017		77,459	77,459	0
November 1, 2017		77,459	77,459	
May 1, 2018	3.800%	122,459	77,459	45,000
November 1, 2018		76,604	76,604	
May 1, 2019	3.800%	876,604	76,604	800,000
November 1, 2019		61,404	61,404	
May 1, 2020	3.875%	846,404	61,404	785,000
November 1, 2020		46,195	46,195	
May 1, 2021	3.950%	826,195	46,195	780,000
November 1, 2021		30,790	30,790	
May 1, 2022	4.000%	800,790	30,790	770,000
November 1, 2022		15,390	15,390	
May 1, 2023	4.050%	775,390	15,390	760,000
		<u>\$ 5,949,946</u>	<u>\$ 2,009,946</u>	<u>\$ 3,940,000</u>

MANCELONA PUBLIC SCHOOLS
MANCELONA, MICHIGAN

DURANT BONDS
JUNE 30, 2008

<u>TITLE OF ISSUE</u>	1998 School Building and Site Bonds
<u>PURPOSE</u>	This bond is issued for purposes permitted in Section 1351a of Act 451, Public Acts of Michigan, 1976 pursuant to the authority granted under Act 94, Public Acts of Michigan, 1979, and a resolution duly adopted by the Mancelona Board of Education.
<u>DATE OF ISSUE</u>	November 24, 1998
<u>INTEREST PAYABLE</u>	May 15th, of each year
<u>REDEMPTION PRIOR TO MATURITY</u>	This bond is not subject to redemption prior to maturity by the School District and the School District may not issue any other bonds or obligations for the purpose of refunding this bond.
<u>AMOUNT OF ISSUE</u>	\$ 142,882
<u>AMOUNT REDEEMED</u>	
Prior to Current Year	\$ 83,295
During Current Year	0
	83,295
<u>BALANCE OUTSTANDING - June 30, 2008</u>	\$ 59,587

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 15, 2009	4.761353%	\$ 10,035	\$ 1,058	\$ 8,977
May 15, 2010	4.761353%	10,033	1,703	8,330
May 15, 2011	4.761353%	30,100	6,539	23,561
May 15, 2012	4.761353%	10,033	891	9,142
May 15, 2013	4.761353%	10,033	456	9,577
		\$ 70,234	\$ 10,647	\$ 59,587

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

August 13, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Education
Mancelona Public Schools
Mancelona, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mancelona Public Schools for the year ended June 30, 2008, and has issued our report thereon dated August 13, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated June 13, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Mancelona Public Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Mancelona Public School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Mancelona Public Schools are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed a few adjusting journal entries which were reviewed and accepted by management. No material misstatements were noted.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 13, 2008.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.